

Financial Report of the U.S. Government

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Presentation Summary

Part I

- **History of the Financial Report of the U.S. Government**
- **GAO Findings**
- **The Closing Package Methodology**
- **The Governmentwide Financial Reporting System (GFRS)**
- **FY 2005 Highlights**

Presentation Summary

Part II

- **Changes in FY 2006 Reporting Requirements**
- **FY 2006 GFRS Enhancements**
- **Future Initiatives**
- **GFRS New User Training**
- **References**

The Financial Report of the United States Government (FR)

- Provides the President, Congress, and the American people with a comprehensive view of the Federal Government's financial results
- Discusses important financial issues and significant conditions that may affect future operations
- Presents the financial condition of the Federal Government using the accrual basis of accounting

History of FR

FR Timeline

FY 1975



**Prototype FR
was
published
for FY 1973 &
FY 1974 By
AA & Co.**

Thru 1980s



**Publication of
the CFS every
year**

FY 1994



**CFO
Act &
GMRA**

FY 1997

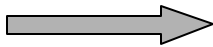


**1st audited
in FY 1997
by GAO**

History of FR

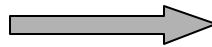
FR Timeline

FY 1997 to FY 2002



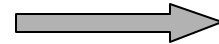
****Published on
March 31 since FY 97**

FY 2003



****Accelerated to Feb.
27 in FY 2003 for the
first time**

FY 2004 & FY 2005



****Published on
December 15 with
the second
acceleration**

****By Law, the publication date for the FR is March 31.**

GAO Findings

- Three major impediments prevent the FR from an unqualified opinion:
 - Financial management problems at the Department of Defense
 - Intragovernmental activity
 - Process for preparing the FR

GAO Findings (cont.)

- The FR consolidation process has been plagued by three on-going material weaknesses:
 - Inconsistent reporting with agency's data
 - Intragovernmental eliminations
 - Reconciling Operating Results with Budget Results

The Solution – Closing Package Methodology

- The Closing Package is a set of special purpose financial statements used to prepare the FR
- Verifying Agencies:
 - 24 CFO agencies and 11 other significant agencies
- Non-verifying Agencies
 - Entities that do not require additional audit scrutiny, but is required to report data to Treasury to satisfy “completeness” of the FR

Advantages of the Closing Package

- Provides a direct link between the individual agencies' audited financial statements and the Governmentwide consolidated statements (closing package) and notes
- Addresses the reporting inconsistency finding
- Leverages the audit work done at the agencies

Governmentwide Financial Reporting System (GFRS)

- Web-based application to aid in the preparation of the FR
- Role-based application designed by modules
- Application interfaces w/FACTS I

Closing Package Methodology

- Set up templates of agency's published, audited, consolidated, comparative, department-level financial statements for:
 - 1) Balance Sheet,
 - 2) Statement of Net Cost,
 - 3) Statement of Changes in Net Position/
Income Statement, and
 - 4) Statement/Note on Custodial Activity
(if applicable)

Closing Package Methodology (cont.)

- Input amounts of agency's published, audited, consolidated, comparative, department-level financial statements for:
 - 1) Balance Sheet,
 - 2) Statement of Net Cost,
 - 3) Statement of Changes in Net Position/
Income Statement, and
 - 4) Statement/Note on Custodial Activity
(if applicable)

Closing Package Methodology (cont.)

- Reclassify all line items and amounts on agency's published, audited, consolidated, comparative, department-level financial statements to the closing package line items for:
 - 1) Balance Sheet,
 - 2) Statement of Net Cost,
 - 3) Statement of Changes in Net Position/
Income Statement, and
 - 4) Statement/Note on Custodial Activity
(if applicable)

Closing Package Methodology (cont.)

- Identify Intragovernmental Closing Package line items by trading partner and amount (GFRS Module 4)
- Complete Notes reporting, as applicable, for consolidation into the FR (GFRS Module 6)
- Complete other FR data, as applicable, to meet Federal GAAP disclosure requirements (GFRS Module 7)
- Review by agency's CFO and IG opine upon the Closing Package submission (GFRS Module 8)

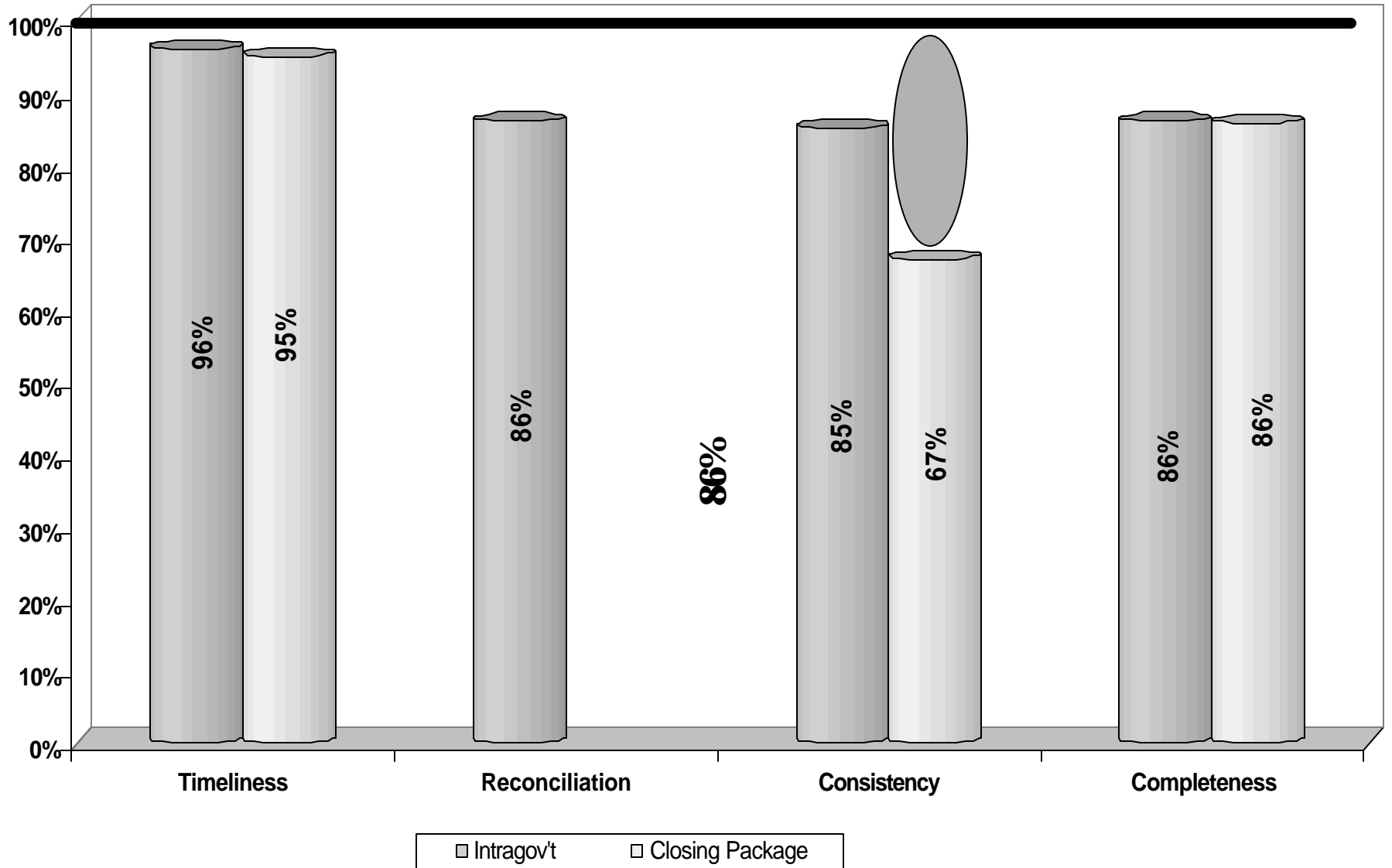
Closing Package Process

GFRS Module	GF002		GF003		GF004		GF006		GF007		GF008
Title of Module	Agency's comparative, audited consolidated, department-level financial statements	→	Reclassify agency's financial statements to Closing Package format.	→	Federal Trading Partner Note	→	Notes to the FR Financial Statements	→	Other Data	→	Completions and Approvals
Action	Balance Sheet Statement of Net Cost Statement of Changes in Net Position/ Income Statement Statement or Note on Custodial Activity		Balance Sheet Statement of Net Cost Statement of Changes in Net Position		Federal Trading Partner Department Codes		Predefined notes to the Closing Package		Examples: Stewardship Deferred Maintenance Tax Burden		Agency CFO will review and certify and IG will issue an opinion on the reclassified statements notes, including the Federal Trading Partner Note.
	Verifying Agencies Only		Verifying Agencies Only		Verifying Agencies Only		Verifying and Nonverifying Agencies		Verifying and Nonverifying Agencies		Verifying Agencies only

FY 2005 Highlights

Agency's Performance Measure Scorecard	
Elements	Performance Goal
1. Timeliness	Did the agency submit all required elements on time?
2. Reconciliation of Unexplained Differences (Intragov't)	How did the agency do with reconciliation of unexplained differences with their trading partners (4th quarter reporting, closing package reporting, etc)?
3. Consistency/ Integrity	Did the agency report and reclassify correctly? Did the agency report intragovernmental activities correctly?
4. Completeness	Did the agency receive an unqualified opinion on the Closing Package? Did the IG complete the steps in the IG Agreed-upon Procedures?

FY 2005 Highlights (cont.)



Part II
Changes in FY 2006
Reporting Requirements

FY 2006 Reporting Guidance

- Treasury Financial Manual (TFM), Chapter 2-4700 was issued and posted on TFM Website on June 30, 2006
- Intragovernmental Accounting Policy Guide will be issued on GFRS/FACTS I/IFCS Website August 18, 2006

Changes in FY 2006 -- Closing Package

- Federal Trading Partner Note – GFRS Module 4, is under audit coverage (Part 2, Chapter 4700, Section 4705.50)

- Subsequent events –
 - IG must submit an email stating subsequent events relative to the Legal Letters (Part 2, Chapter 4700, Section 4705.60)
 - CFO must submit an email confirmation required for items other than Legal Letters (Part 2, Chapter 4700, Section 4705.65)

Changes in FY 2006 -- Closing Package

- Earmarked Funds – Reporting requirement per FASAB SFFAS No. 27 (Part 2, Chapter 4700, Section 4705.20)
- Social Insurance – Reporting requirement per FASAB SFFAS No. 25, 26, & 28 (Part 2, Chapter 4700, Section 4705.xx)

Changes in FY 2006 -- Intragovernmental

- Confirmed vs Confirmed Material Differences
 - New Requirement is effective as of the 2nd Quarter in FY 2006
 - CFO Action Plan required if unable to resolve “confirmed reporting” differences in the 3rd quarter (Part 2, Chapter 4700, Section 4706.30f)

Changes in FY 2006 -- Intragovernmental

- Items not required for 4th Qtr FY 2006
 - Certification of 4th Qtr Status of Disposition of IRAS data
 - Comparative Status of Disposition is not applicable

Changes in FY 2006-- CFO Requirement for IG AUPs

- New CFO Requirements to support IG-AUP
(Part 2, Chapter 4700, Section 4705.75d)
- Optional for FY 2006
- Required for FY 2007 and subsequent
fiscal years

Changes in FY 2006 – IG AUP

- The IG AUP will be performed
 - after the FR is audited
 - for material differences that are greater than \$250 million
 - to supplement the audit of intragovernmental activity and balances entered into GFRS in Module 4
 - only on the FY 2006 Closing Package reporting

We encourage you to complete these procedures. The IG AUP will be required for FY 2007 and subsequent fiscal years.

FY 2006 Key Dates

09/11/06	For verifying and nonverifying agencies: Window opens for Closing Package submissions in GFRS for Modules 1 to 8.
10/06/06	Intragovernmental Fiduciary Confirmation System (IFCS) opens for fourth quarter 2006.
10/19/06*	1.Intragovernmental (“F” transactions) fourth-quarter 2006 agency data file due to FMS. 2.IFCS closes for fourth quarter 2006 (final).
11/15/06*	CFO approval of Closing Package due by midnight e.s.t.
11/17/06*	IG opinion on Closing Package, including Trading Partner Note, due by noon e.s.t.
11/20/06	FMS issues Intragovernmental Reporting and Analysis (IRAS) reports based on the closing package data to agencies.

***Represents the “No Later Than Date”**

FY 2006 Key Dates

11/22/06*	CFOs deliver a report containing CFO representations for Intragovernmental Activity and Balances with the completed <i>Closing Package Material Differences/Status of Disposition Certification Reports</i> to the agency IG, FMS, and GAO.
11/29/06	FMS will generate and distribute <i>Intragovernmental Comparative Closing Package Explanations of Differences Report</i> for fiscal 2006 to agencies and the agencies' IG.
01/16/07*	IGs deliver the <i>Agreed-Upon Procedures Report on Closing Package Intragovernmental Activity and Balances</i> to the agency CFO, FMS, and GAO.

***Represents the “No Later Than Date”**

FY 2006 GFRS Enhancements

➤ Population of Prior Year Data

- Agency Audited Financial Statements (GF002 Module)
- Reclassification (GF003 Module)
- Trading Partner Note (GF004 Module)

➤ “All” report option

- FR Notes (GF006 Module)
- Other FR Data (GF007 Module)

FY 2006 GFRS Enhancements

➤ Reports Enhancements

- Agency Closing Package Statements (GF003F)
- Closing Package Line Reclassification Summary Report (GF003G)

➤ Threshold Assignment

- Threshold: Either \$ or %, or both

Planned FY 07 Enhancements

Select Notes will be pre-populated with prior year data in modules:

- FR Notes (GF006 Module)
- Other FR Data (GF007 Module)

Future Initiatives

- Reporting of unaudited 3rd quarter financial data in FY 2008 in GFRS (Treasury Announcement No. A-2006-03)

Future Initiatives

Combined FRD Website

- To provide easier access to Closing Package and Intragovernmental reporting information



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Agency Reporting

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[Governmentwide Accounting \(GWA\)](#)
[Transaction Reporting System \(TRS\)](#)
[Treasury Report on Receivables \(TROR\)](#)

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FMS Highlights

Updated April 12, 2006



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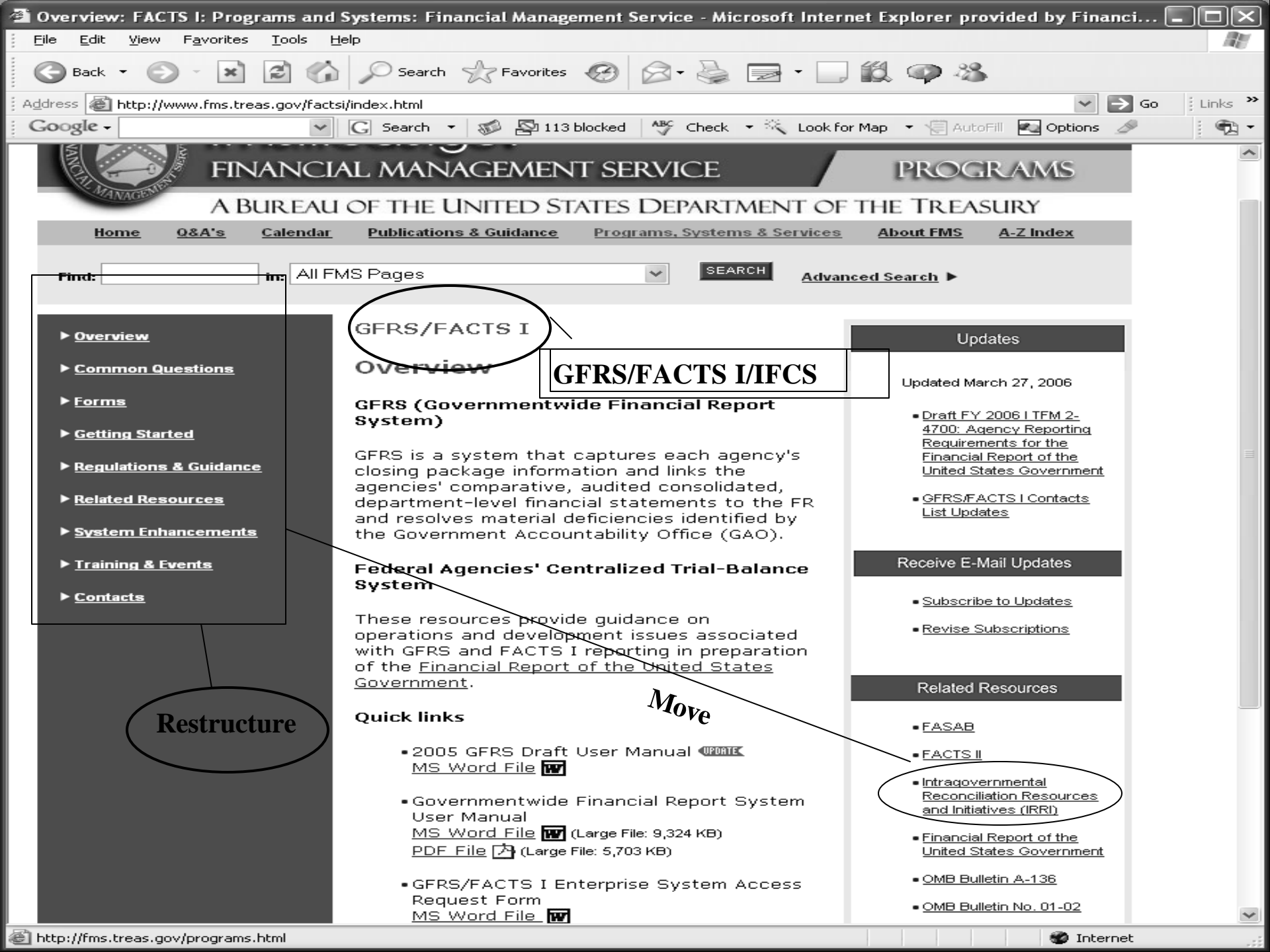
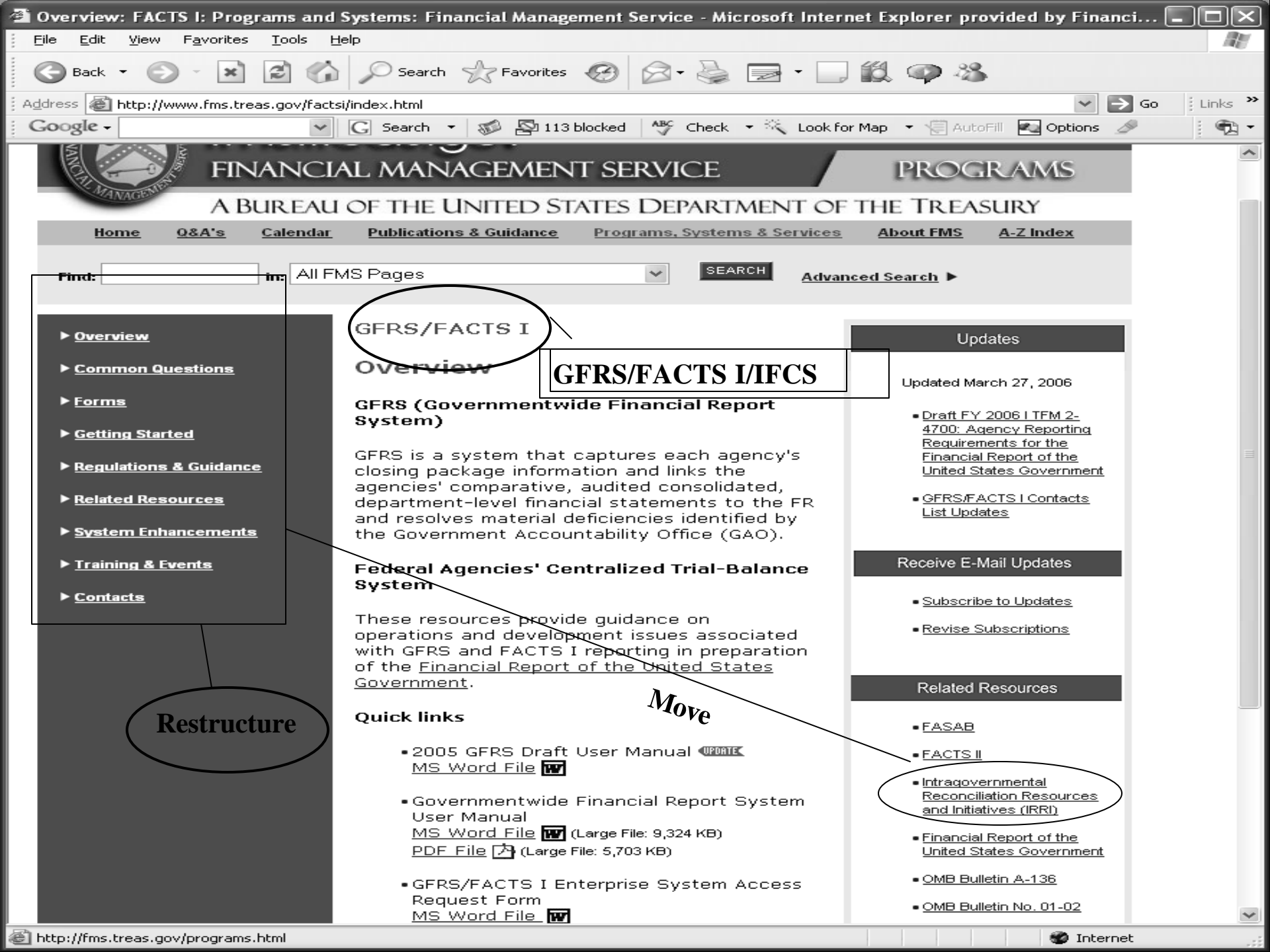
[Remarks by U.S. Treasurer Anna Cabral at the National Hispanic Council On Aging National Convention April 8, 2006](#)

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GFRS/FACTS I/FACTS II



Background**Description of the Financial Report Division****System Overview**

GFRS
FACTS I
IFCS

Getting Started**Closing Package Reporting**

Correspondence
System Enhancements

Intragovernmental Reporting

IRAS
Correspondence
Reports

Common Questions

Closing Package Reporting
GFRS/FACTS I
Intragovernmental Reporting
IFCS

Regulations and Guidance

TFM
APG
GFRS User Manual
FACTS I User Guide
Reciprocal Categories Transactions of USSGL for FY 2006
FACTS I Bulk File Format
FACTS I Bulk File Sample

Forms

ESSAS
CFO Representations
IG Agreed-upon Procedures

Contacts**Related Resources:**

- FASAB
- FACTS II
- Financial Report of the US Government
- OMB Bulletin A-136
- OMB Bulletin 01-02
- Standard General Ledger
- the Yellow Book
- Treasury Financial Manual

GFRS New User Training

- **Preparers and Reviewers:**
August 15, 16, 29
- **CFOs/IGs: two half-day sessions**
August 17 and 30
September 6
- **Non-verifying Preparers and Reviewers:**
September 7

Contact Information

- **Review accountants listed on the GFRS/FACTS I Website**
- **GFRS Closing Package Team Leaders:**

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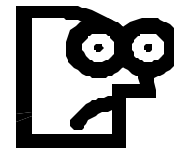
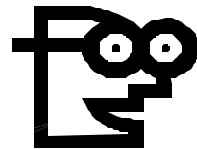
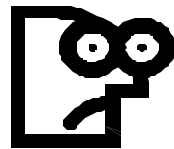
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References

- Volume I, Treasury Financial Manual, Part 2, Chapter 4700 (TFM)
<http://fms.treas.gov/factsi/vol1/TFM-2-4700.pdf>
- Financial Management Service (FMS)
<http://www.fms.treas.gov>
- Standard General Ledger (USSGL) TFM
<http://fms.treas.gov/ussgl/current.html>
- GFRS/FACTS I/IFCS
<http://fmsapps.treas.gov/ias>
- Office of Management and Budget (OMB)
<http://www.whitehouse.gov/omb>
- Government Accountability Office (GAO)
<http://www.gao.gov>
- FASAB Website
<http://www.fasab.gov>

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It's QUESTION TIME!!